THE INFLUENCE OF FIRM SIZE, PROFITABILITY, SOLVABILITY, REPUTATION OF THE AUDITORS AND AUDIT COMMITTEE ON THE TIMELINESS REPORTING OF MANUFACTURING COMPANIES IN INDONESIA STOCK EXCHANGE IN 2015 – 2017

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Abstract: This study aims to analyse the effect of firm size, profitability, solvability, auditor's reputation and audit committee on the timeliness of financial reporting of manufacturing companies on the Indonesian Stock Exchange. This type of research is quantitative research using secondary data collection techniques in the form of financial statements of companies listed on the Indonesia Stock Exchange. The population of this study is manufacturing companies listed on the Indonesia stock exchange. With the criteria that the company has submitted financial statements in 2015 until 2017. Data is processed using multiple regression analysis. The results of the multiple regression analysis used show that company size, profitability and solvency have a significant effect, but the reputation of the auditor and audit committee is not significant to the timeliness of financial reporting.

Keywords: profitability, solvability, firm size, reputation of the audit firm, audit committee, timeliness reporting

1. INTRODUCTION

Companies need capital to grow and develop. Along with the development of a company can not be separated from the large capital needs. This venture capital can be in the form of loans from banks or other financial institutions, but these loans are limited in number and also related to the period and interest. Companies that need large funds then sell shares to the public through the capital market or go public.

By selling shares through the capital market, the company is obliged to follow the applicable regulations on the Indonesia Stock Exchange. One of the regulations that must be followed by registered companies is the submission of annual financial statements written in the decision of the chairman of the capital market regulatory agency and financial institution number: KEP-346/BL/2011 regarding the submission of periodic financial statements of issuers or public companies. Timeliness of financial reporting is the best weapon to protect investors, the longer the completion of audited financial statements, the greater the opportunity for fraud for investors and the investment evaluation process is also increasingly filled with uncertainty (Davis and Whittred, 1980). Dyer and McHugh (1975) state the timeliness of the publication of financial statements is one of the main elements that must be considered because it can affect the value of information contained in the financial statements, even the benefits as a tool in making economic decisions can also be reduced. The delay in financial reporting can be influenced by many factors, both from within the company and outside the company.

Rule number X.K.2 concerning submission of issuers or public companies' annual financial statements number 2, namely annual financial statements must be submitted to Bapepam and LK and announced to the public no later than the end of the third month after the date of annual financial statements. Or before 91 days from the last day of the book year end. In regulation number 2 letter e, it is stated that the annual financial statements must contain opinions from accountants.

Regarding the presentation of financial statements PSAK No. 1 (2012) establishes the basis for the presentation of general purpose financial statements so that they can be compared both with the financial statements of the previous period and with the financial statements of other entities. This statement sets the requirements for the presentation of financial statements, the structure of financial statements, and the minimum requirements for the contents of financial statements. The purpose of financial statements is to provide information about the financial position, financial performance, and cash flow of the entity that is useful for most users of the report in making economic decisions. The financial statements also show the results of management's responsibility for the use of resources entrusted to them.

Dogan et al (2007) in Emeh and Appah (2013) show that users of financial information must be able to obtain the information they need at the right time especially if they are in a position to make or anticipate decisions. Thus, information time is as important as content for users as financial information. Information users consider financial reporting time as an important factor of accounting information (Ismail and Chandler, 2004).

Profitability is the way the company shows management in managing the company. The higher it will attract investors to continue to invest. Profitability in a company can mean a way to maintain its survival in the long run, because profitability shows whether the company has good prospects in the future. Thus every company will always try to improve its profitability as a comparison from the previous period, because the higher the level of profitability of a company, the survival of the company will be more guaranteed. Ekienabor and Oluwole (2019) mentioned that in terms of profitability, organizational managers would be more eager to report earnings faster than reporting losses due to the effect of the news on stock prices and other indicators. This assertion has been supported by previous research, which documents the fact that managers are timely to release good news (earnings) compared to bad news (losses).

To show a report or information about the company's performance to the public so that it is accurate and reliable, it is requested to use the services of a Public Accounting Firm. To increase the credibility of the report, the company uses the services of a reputable Public Accounting Firm. This is usually indicated by a Public Accounting Firm affiliated with a large universally accepted Public Accounting Firm known as the Big Four Worldwide Accounting Firm (Big four). In Nindita and Siregar (2012), Big Public Accounting Firms (Big four accounting firms) are believed to conduct higher quality audits compared to small Non-Big four accounting firms. DeAngelo (1981) states that the audit quality of public accountants can be seen from the size of the Public Accountant Firm that conducts audits.

Solvability is a ratio that can be measured using one of them is the debt to equity ratio, which is a tool to measure how much a company depends on creditors in financing the activities of the company. PMK 169 / PMK.010 / 2015 2015 regulates the calculation of Income Tax which is determined by the ratio between debt and capital for corporate taxpayers that are established or domiciled in Indonesia whose capital is divided into shares. And it is mentioned that the magnitude of the ratio between debt and capital is set no higher than four compared to one. In Lathiefatunnisa (2015) The higher the level of solvability, the greater the possibility of delays in the company's financial reporting, this is because the company will try to pay off debt. Conversely companies that have low loan rates, the possibility of timeliness financial reporting of the company is higher because the company does not pay off any debt because the company uses its own capital.

As per firm size, there is no reason for a large company to postpone its financial reporting. Owusu-Ansah (2000) states that: First, large companies have a lot of resources namely a lot of accounting staff and sophisticated information to produce timely reports. Second, have a strong internal control system in their organization so that auditors spend less time in conducting compliance tests. Third, large companies tend to be followed by a large number of financial analysts who usually rely on punctuality to confirm and revise their expectations of the company. Lathiefatunnisa (2015) states that large companies tend to want to hasten the delivery of financial statements, so that large companies tend to be timely in submitting financial statements.

Emmeh and Appah (2013) define an audit committee as a committee appointed by the company as a liaison between the board of directors and external auditors, this committee usually has a majority of non-executive directors and is expected to view company affairs separately and impartially. With the existence of this audit committee, it should make the external audit not late in issuing the audited financial statements. As regulated in the Financial Services Authority Regulation No. 55 / POJK.04 / 2015 regarding the establishment and guidelines for the work of the audit committee which consists of at least 3 people in article 4. The audit committee in article 7 must have the ability in terms of financial and audit reports and be impartial.

2. LITERATURE REVIEW

2.1 Signaling Theory and Information Asymmetry

The main assumption in signal theory is that management has accurate information about the value of the company that is unknown to outside investors, and management is someone who always tries to maximize the expected incentives, meaning that management generally has more complete and accurate information than outside parties (investors) regarding the factors that influence company value (Solikhin, 2000). Information asymmetry occurs if management does not fully report information that affects stock prices in the market. Scott (2000: 214) states that "companies have many contracts, for example work contracts between companies and their managers and loan contracts between companies and their creditors. The employment contract referred to in this paper is an employment contract between the capital owner and the company manager. Where between agents and principals want to maximize their respective utility with the information they have. But on the one hand, the agent has more information (full information) than the principal on the other hand, causing information asymmetry". This asimetry information causes a conflict of interest.

2.2 Timeliness of Financial Reporting

Timeliness means that information must be available when needed, especially in every decision making. If financial information can affect decision making or is able to produce different results from various alternative decisions, then the information is said to be relevant. Relevant information is information that has feedback value, predictive value, and timeliness. New information available after making a decision is said to be irrelevant information, so that information cannot be used in decision making because it has lost its capacity to affect the decisions (Hendriksen and Michael, 2000). Timeliness is an important limitation on the publication of financial statements. Accounting information must be carried out as quickly as possible to guarantee the availability of current information to the user. Timeliness also indicates that financial statements must be presented at regular intervals in order to show changes in company circumstances that will affect user predictions and decisions (Hendriksen and Michael, 2000).

2.3 Firm Size

In Mareta (2015) firm size in the study was measured based on the size of the assets owned by the company. According to Sudarmadji and Sularto (2007), total assets are chosen as a proxy of firm size variables because total assets are more stable and representative in showing firm size compared to market capitalization and sales which are strongly affected by demand and supply. A company that has large assets will have many sources of information, human resources and sophisticated information systems that enable the company to report financial statements quickly to the public.

2.4 Profitability

Dyer and Hugh's research (1975) in Abdul Kodir (2016) shows that there is a tendency for companies that make a profit to submit their financial statements on time and conversely companies that suffer losses submit late financial statements. Lawrence (1983) also shows that companies in the United States that are experiencing financial distress postpone the submission of their financial statements. Lawrence's research results are also supported by Carslaw and Kaplan (1991), which found that companies that suffered losses asked auditors to schedule audits later than they should so that submission of financial statements was late. The higher the profitability of a company, it was suspected that the company would be faster submit financial statements. Profitability is good news for companies to report their finances. The loss is bad news for the company and the auditor. The higher ROA, the company's performance is considered good because it means the company can utilize its assets optimally.

2.5 Solvability

The solvability ratio contains an indication of how the company's assets and business operations are financed using debt or equity. There is a ratio that is measured by the debt to equity ratio, which ratio is a financial ratio that shows how high the level of debt used by the company in financing the company's operations.

Lathiefatunnisa (2015) states that in agency theory the high level of solvability will have an impact on the smaller level of timeliness of the company in submitting its financial statements, so that it will have an impact on the lack of relevance of the information submitted. In the theory of compliance, the high level of solvability indicates that the company's ability to submit financial statements in a timely manner is reduced, meaning that the company is not compliant in obeying the rules set by Bapepam (Capital Market and Financial Institution Supervisory Agency). The high debt to equity ratio reflects the high financial risk of the company. The high financial risk of the company has an impact on the high indication that the company is experiencing financial distress due to high liabilities.

2.6 Auditor's reputation

According to Fahmi & Hadi (2011), Public Accountant Firm Statement is strongly influenced in terms of eligibility at the time of financial statements and other audit results that in terms of rules and procedures can be declared to have met the requirements of going public, then in this case the auditor's reputation is also at stake because if a the problematic company in its financial statements, the auditor along with the Public Accountant Firm that will experience negative effects such as the decline in reputation. Therefore the greater a Public Accounting Firm will have a good reputation in public opinion.

2.7 Audit Committee

Emmeh and Appah (2013) define an audit committee as a committee appointed by the company as a liaison between the board of directors and external auditors, this committee usually has a majority of non-executive directors and is expected to view company affairs separately and impartially. With the existence of this audit committee, it should make the external audit not late in issuing the audited financial statements. In research conducted by Haryani and Wiratmaja (2014) and Gunarsa and Putri (2017) that the audit committee affects audit delay, the greater the audit committee will shorten the audit time in making financial statements, so that the submission of company financial statements to the IDX is faster than time limit specified.

3. RESEARCH METHODS

3.1 Population and Sample

The population of this study is manufacturing companies listed on the Indonesia stock exchange. With the criteria that the company has submitted financial statements in 2015 until 2017. Data is processed using multiple regression analysis.

3.2 Data Analysis Techniques

The analytical method used is multiple regression analysis, in conducting multiple regression analysis first testing the classical assumptions. Multiple linear regression analysis is used to predict how the state of the dependent variable, if two or more independent variables as predictors are manipulated (increase the value down) so multiple regression analysis will be done if the number of independent variables is at least 2 (two) (Sugiyono, 2013: 277). This study uses five independent variables namely auditor reputation, solvency, company size, profitability and audit committee, while the timeliness of financial reporting as the dependent variable.

With the basic model of multiple linear regression from this study can be formulated as follows:

$$TIMELINESS = a + b_1\ FS + b_2\ Pr + b_3\ S + b_4\ AR + b_5\ AC + e$$

Information:

TIMELINESS = Timeliness of Financial Reporting
a = constant
b_1, b_2, b_n = Regression coefficient of the independent variable
FS = Firm Size
Pr = Profitability (ROA)
S = Solvability (DER)
AR = Auditor's Reputation
AC = Audit Committee
e = error

Variable Definition and Measurement

The operational definition of the measurement of each variable described, then the operational definition matrix and variable measurement can be arranged as follows:

Table 1. Operational Matrix and Measurement of Research Variables

Variables	Definition	Parameter	Scale
Timeliness of Financial Reporting (Y)	The company's ability to report financial statement on time	Number of days needed to report LK since the financial year ended	Ratio
Firm Size	Reflecting the size of the company	natural log (Ln) of total assets	Ratio
Profitability	The ability of the company to generate profits on its assets	$\frac{\text{Net income after tax}}{\text{Total asset}}$	Ratio
Solvability	The ability of the company to pay debt from equity	$\frac{\text{Total Debt}}{\text{Total Equity}}$	Ratio
Auditor's reputation	The quality of the auditor used	1 for Big Four and 0 for other than Big Four	Nominal
Audit Committee	Liaison between the board of directors and external auditors	Number of Audit Committees	Ratio

4. RESULT AND DISCUSSION

4.1 Effect of Firm Size on Timeliness

The regression coefficient of firm size is -0.006, which is negative. This means that company size has a negative effect on timeliness. Given the Sig value of firm size variable is 0,000 <0.05, then firm size has a significant effect on timeliness.

Large firm size tend to be timely in presenting financial statements. This is based on several reasons such as large and reliable resources so that it is more efficient to do work, then the application of Enterprise Resource Planning (ERP) that can create effective business management and is generally integrated into the entire production process in manufacturing companies.

4.2 Effect of Profitability on Timeliness

The regression coefficient of profitability (ROA) is -0,0008, which is negative. This means that profitability has a negative effect on timeliness. Given the Sig value of the profitability variable is 0,000 <0.05, then profitability has a significant effect on timeliness.

The higher level of profitability significantly affects the lower time needed to submit financial statements. Companies that profit can be said to contain good news, that the company's financial statements are feasible to be delivered on time because management has tried to keep the company running and give investors the desired results.

4.3 Effect of Solvability on Timeliness

The value of the regression coefficient of solvability (DER) is 0.003, which is positive. This means that solvability has a positive effect on timeliness. Given the Sig value of the solvability variable is 0.008 <0.05, then the solvability significantly affects the timeliness.

The higher level of solvability significantly affects the higher time needed to submit financial statements. The smaller the company's debt indicates that the smaller the obligations that must be paid, so that the low level of solvability is good news for the company. What is considered good news will be delivered immediately, so that companies with a low level of solvability can submit their financial reports long before the time determined by Bapepam.

4.4 Effect of Auditor's Reputation on Timeliness

The regression coefficient value of the auditor's reputation is -0,0008, which is negative. This means that the auditor's reputation has a negative effect on the timeliness. Given the Sig value of the auditor reputation variable is 0.839> 0.05, the auditor's reputation has no significant effect on timeliness.

That 54% of the Public accounting firm used are internationally affiliated, such as Grant Thornton, BDO, RSM, Baker Tilly, Moore Stephens and others who are internationally affiliated. Then 39% use Public accounting firm affiliated with Big Four, namely Deloitte, PwC, EY and KPMG. From this study the significant value for auditor reputation is 0.839 which is far from the significant value of 0.05, with unaffiliated Public accounting firm of 7% of all companies studied, so that companies that are late in this study are only influenced by the firm size, the level of profitability and the level of solvability of the company itself.

4.5 Effect of the Audit Committee on Timeliness

The regression coefficient value of the number of audit committees is 0.009, which is positive. This means that the number of audit committees has a positive effect on timeliness. Given the Sig value of the variable number of audit committees is 0.084> 0.05, the audit committee has no significant effect on timeliness.

Whereas the large number of committees does not guarantee that the company is not late, on average the company uses 3 audit committees which is as required in the Financial Services Authority Regulation No. 55 / POJK.04 / 2015 in article 4 that the audit committee consists of 3 (three) members who are from Independent

Commissioners and Parties from outside the Issuer or Public Company. From all listed companies, there are 28 issuers with audit committees above 3 people. And 6 of the issuers were late in reporting their finances or as much as 21%. That the number of audit committees above 3 does not guarantee that the company will report on time which is in theory that the function of the audit committee is as a liaison between the board of directors and external auditors (Emmeh and Appah, 2013).

5. CONCLUSION AND SUGGESTION

5.1 Conclusions

From the data analysis, hypothesis testing and research discussion, several conclusions can be drawn:

a. Firm size has a negative and significant effect on the timeliness of financial statement.
b. Profitability has a negative and significant effect on the timeliness of financial statement.
c. Solvability has a positive and significant effect on the timeliness of financial statements.
d. Auditor's reputation has a negative and not significant effect on the timeliness of financial statement.
e. The Audit Committee has a positive and not significant effect on the timeliness of financial statement.
f. Firm size, profitability, solvability, the reputation of the auditor and audit committee together or simultaneously have a significant effect on the timeliness of financial statement submission.

5.2 Limitations

a. This research was conducted only on manufacturing companies so that it becomes a limitation because the research results have not yet been generalized to all companies listed on the IDX.
b. This study uses 5 (five) independent variables but the adjusted R square value obtained is 0.144 or 14.4% while 85.6% is explained by other variables.

5.3 Suggestions

a. Indonesia Stock Exchange must play an active role in responding to companies that are late in reporting financial statements. Because there are still many companies that are late in reporting finances and there are several companies that have successively delayed. IDX is more stringent in creating regulations that can improve companies to comply with their obligations in the future.
b. Firm size, profitability and solvabilty are the dominant variables in affecting the timeliness of financial reporting. So that companies that have good performance report on time, all listed companies should report on time regardless of poor or good performance so that investors can assess objectively about the company invested.
c. For further researchers who want to examine the timeliness of financial reporting in order to expand the location of research in other sectors or the entire sector in order to represent all companies listed on the IDX or can

increase the time span so that they can see the true character of the phenomenon of the time delay in financial reporting by the company registered.

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